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SITUATION REPORTS

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IRAQ-IRAN

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Hostages Update

The official English-language version of the Assembly's memorandum on the hostages has no significant substantive differences from the text broadcast Sunday on Tehran radio. [REDACTED]

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Mediation

Foreign ministers from five Nonaligned countries and the PLO have been meeting in Yugoslavia to plan their visits to Tehran and Baghdad. Algeria, which had been a member of the Nonaligned working group, has withdrawn at Iraq's request. The idea of Arab neutrality is rejected by Iraq; Baghdad expects Arab governments to support it in the war, or play no role. Iraq probably tolerates the PLO participation in the mediation since it might otherwise expose Baghdad to charges of undermining the PLO's political credibility. [REDACTED]

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Iran and Iraq have misgivings about the various mediation efforts. The Iranian Foreign Ministry yesterday rejected again any proposal for a cease-fire until Iraq withdraws its forces. Iraq has specific doubts about each of the three main initiatives--Nonaligned, the Islamic Conference, and the UN Security Council--and would prefer direct negotiations with Tehran. Baghdad probably

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suspects Soviet manipulation of the Cuban-led Nonaligned effort. Its lukewarm attitude toward the Islamic initiative has probably cooled further following the propaganda Iran created from Secretary General Chatti's last visit to Tehran. [redacted]

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In the absence of direct talks, Iraq probably prefers a UN Security Council settlement, although it is concerned that a Council resolution could condemn it as an aggressor or call for the withdrawal of Iraqi forces without reference to Iraq's border claims and "practical guarantees" against an Iranian counterattack. Foreign Minister Hammadi's return to the UN yesterday to head the Iraqi delegation underscores Baghdad's concern. [redacted]

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Iraq may hope to exploit its friendship with France to block Security Council measures it considers unfavorable. Paris remains committed to supporting Iraq, but the Elysee is becoming increasingly uneasy over the length of hostilities. [redacted]

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Meanwhile, President Saddam Hussein reiterated to a Western ambassador in Baghdad last week that there would be no withdrawal until Iran recognized Iraq's rights. He pointedly indicated that if the war continued he would be under increasing pressure to hang on to Iranian territory, implying it would be wise to have a cease-fire while Iraq's claims are minimal. [redacted]

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Soviet Resupply to Iran

Continuing congestion at the overland shipping entry points into northern Iran has probably led the Soviets to divert some commercial traffic to Iran through the Caspian Sea. [redacted]

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POLAND

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Some members of the free trade union delegation that held lengthy negotiations with Premier Pinkowski on Friday apparently remained behind in Warsaw to attempt to work out details of the oral understandings they claim were reached.

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Most other Solidarity leaders were scheduled to meet in Gdansk last night to review last week's negotiations and to plan future strategy. They probably were primarily concerned with their appeal to the Supreme Court of a lower court's unilateral alteration of Solidarity's charter.

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It remains unclear whether the union appeal has been submitted and whether 10 November, the date by which the regime pledged court action, will mark a critical date in the appeal process. A court official yesterday suggested that Solidarity could appeal to a second Supreme Court panel if it were dissatisfied with the decision of the first.

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Union leaders are still threatening a strike decision on 12 November if the court has not acted to their satisfaction. One leader, nevertheless, said yesterday that Solidarity has ruled out a general strike in favor of selective local work stoppages.

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Production Prospects

Prospects for Poland's consumers dimmed as Warsaw acknowledged Sunday that meat production next year will fall to about 2.2 million tons. This is over 300,000 tons less than anticipated this year and 450,000 tons below the 1979 production level.

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Severe fodder shortages are cited as the cause of the impending decline, which regime spokesmen say cannot be offset by planned imports of 8 million tons of grain and of unspecified amounts of fodder. Poland's grain harvest this year was below average and the potato crop--a key component of the feed supply for livestock--is now expected to be 50 percent lower than last year's level--not 30 percent as reported a few weeks ago.

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[redacted]

Lack of fodder, Warsaw reports, is causing widespread slaughter of animals that will reduce the size of Poland's livestock supply for some time. Officials acknowledge that the number of pigs will not increase until 1982, even under favorable circumstances, while cattle herds will continue to decline until at least 1983. [redacted]

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The current distress slaughtering may produce a temporary increase in the availability of meat but will cause subsequent shortages for a prolonged period. [redacted]

Other negative agricultural developments include:

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--Public disclosure that rain-induced delays in planting have hurt the outlook for the winter grain crop. A large area of land remains unplanted, threatening harvests not only for next year but beyond as well. [redacted]

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--According to a US Embassy report, Warsaw is experiencing increasingly tight food supplies. [redacted]

The news from industry is also discouraging. Electric power shortfalls this winter, officials predict, will be worse than usual. Lack of fuel--both coal and oil--poor quality fuel, and shortages of spare parts are among the reasons cited. Coal production is lagging and estimates of the decrease from 1979 to 1980 range from a few percent to 15 percent. [redacted]

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The brunt of the effort to meet competing needs for coal from the external sector and the domestic economy is apparently falling on exports. Shipments of Polish coal to Romania, Czechoslovakia, and Hungary apparently ceased entirely as of the end of September. Coal exports to the non-Communist world--Poland's major hard currency earner--have been cut back. Preference is given to countries willing to prepay or accompany their purchases with extension of loans. [redacted]

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Warsaw is now requesting rescheduling not only of principal but of interest payments as well to ease its external financial plight. [redacted]
Poland has asked Rome to postpone until 1985 \$500 million in interest payments due in 1981-83. A similar request for deferral of all debt service payments was made of France. [redacted]

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BRIEFS AND COMMENTS

PORTUGAL: Election Politics

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The commanding lead that President Eanes had for the presidential election on 7 December appears to be slipping away.

The Democratic Alliance victory in the legislative election last month gave a boost to General Soares Carneiro, the rightist coalition's candidate. Eanes, moreover, appears to have hurt his own campaign when he reacted to the legislative election results by dropping his support for the Socialists and asserting that he really has no substantive differences with the Alliance. This attempt to retain center-right votes alienated many Socialists, including party leader Mario Soares.

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Soares resigned his leadership post when the party decided to continue supporting Eanes because he offered the only chance of defeating the right in the presidential election. To undercut Eanes further, Soares told the press late last week that the President had broken a secret agreement with the Socialists and urged all Socialists to vote their conscience in December.

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Eanes's campaign probably is also being weakened by the tacit support of the Communist Party, which prefers him to Soares Carneiro. Democratic Alliance efforts to associate Eanes with the Communists may help to solidify centrist support for Soares Carneiro.

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In the absence of polls, it is too early to tell how much impact these recent developments will have on Eanes' standing.

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TURKEY: Political Leaders Officially Charged

The Turkish military government's decision to charge former Prime Ministers Demirel and Ecevit as well as the heads of two other political parties with criminal offenses against the state may delay political reforms and prolong the military's stay in power. By taking this formal action yesterday, the military appears to be signaling its intention to push for a new generation of more moderate political leaders open to compromise. The charges, however, will create a leadership vacuum and could delay a consensus on critical constitutional issues that lie ahead. This would tend to offset the positive impact of the program outlined by the government this weekend to write a new constitution, submit it to referendum, and restore civilian rule as quickly as possible.

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UK: Labor Party To Elect Leader

Balloting begins today to determine the new leader of the feuding Labor Party. Former Chancellor of the Exchequer Denis Healey remains a slight favorite, but polls taken among Labor Members of Parliament indicate that Deputy leader Michael Foot, who represents the left wing of the party, is a close second. If Healey does not win a majority on the first ballot, a second and, if necessary, a third ballot will be cast on 10 and 13 November respectively, with the candidates receiving the lowest number of votes required to drop out. The new leader's tenure could be short; in January the party will change the rules for selecting a leader, and the top spot could be in contention again, particularly if the left does not win this time.

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USSR: Nuclear Explosion

The USSR on Saturday set off an underground nuclear explosion in central Siberia. The event, apparently one of a series intended to use nuclear detonations for peaceful purposes, had a yield estimated to be in the range of 10 to 40 kilotons. Seventeen Soviet nuclear explosions have been detected so far this year, four of which evidently were for peaceful purposes.

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NORTH KOREA - SOUTH KOREA: Seaborne Infiltration

South Korean forces have killed two of three North Korean infiltrators who landed yesterday on an island off South Korea's southern coast. This is the first seaborne infiltration attempt the South Koreans have detected since June.

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[redacted]EL SALVADOR: Government More Confident
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The struggle between the government and leftist revolutionaries in El Salvador is at a critical stage. The military - Christian Democratic coalition is still intact despite its weak base and has its best opportunity so far to build popular support. The insurgents recently have suffered serious physical and psychological setbacks, and their military and political credibility is at stake.

[redacted]

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Despite the junta's failure to expand its constituency, the threatened split between its civilian and military members now seems less likely. Christian Democrat leader Duarte and armed forces chief Colonel Gutierrez are working better together. The removal in September of key progressives from command positions in the military was accepted by the Christian Democrats in exchange for more policymaking power.

[redacted]

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Military morale has been improved by the transfer of dissident officers and by operational successes in the field. The armed forces in mid-October launched their largest and most sustained counterinsurgency operation, designed largely to protect the current harvest; this has convinced some observers that the government can defeat the rebels and reestablish order. The recent signing of an agreement formally ending the war of 1969 with Honduras, moreover, makes likely more bilateral military cooperation against guerrilla strongholds in the border region.

[redacted]

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The government does not seem as insecure as it did, since increased US aid has entered the pipeline and since the junta has begun to make headway in its battle for international acceptability. The junta's staying power and the growing recognition abroad that leftist propaganda has exaggerated abuses have led some foreign critics privately to reassess the regime. The EC Commission has reversed its policy against travel to El Salvador, which was based on the belief that the junta had no chance for survival, and is sending a representative to make an independent evaluation.

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The government also has shown confidence by announcing an amnesty for leftists who lay down their weapons, promising elections in two to three years, and issuing a new military code of conduct. In addition, the junta has promised that the national university, which had been shut down because it was a leftist sanctuary, will reopen by December. [redacted]

Prospects for the Far Left

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The far left is trying to cope with lagging recruitment and funding, disunity, a significant drop in popular support, and aggressive government military operations against its base camps. The revolutionaries [redacted]

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[redacted] are emphasizing terrorism in the cities to keep government forces occupied and to buy time. Although they are on the defensive, they remain a potent military force; insurgent fire immobilized six of the government's total force of 10 helicopters during recent antiguerrilla operations. [redacted]

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The insurgents' most important target is the harvest. Having failed to scuttle the agrarian reform itself, the far left seeks to deprive the already severely damaged economy of crucial export earnings by destroying much of the coffee, cotton, and sugar crops. [redacted]

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To undercut government political initiatives the insurgents will probably try to assassinate key personalities. [redacted]

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Outlook

The continuing violence is a serious obstacle to stabilizing and rebuilding the economy, and it undercuts efforts to gain popular support. The government will have difficulty carrying out promised reforms due to lack of funds and administrators able to do the job. [REDACTED]

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The government's current offensive against guerrilla strongholds is close to a maximum effort, one that is sure to result in substantial violence and contribute to the growing internal refugee problem. If the offensive fails to do heavy damage to the insurgents, this will quickly rekindle dissension and debate in the government, with more conservative elements demanding more repressive policies or a reversal of recent progress on reforms. Success, on the other hand, will lend greater credibility to the junta and reduce some of the foreign support that has helped sustain the far left. [REDACTED]

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The revolutionaries know the coming months are critical, and the dissident insurgent group, Armed Forces of National Resistance, recently announced it is seeking to rejoin the main guerrilla coalition. [REDACTED]

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Leftist strategy calls for more frequent and violent terror to demonstrate the junta's inability to protect the public. Because of the high casualties it is suffering, however, the far left will be forced to reduce its operations by the end of the year, unless it can increase recruitment or secure major arms shipments from foreign sources. [REDACTED]

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